

The complaint

Mr A complains that Vanquis Bank Limited lent irresponsibly when it increased the credit limit on his credit card.

What happened

Mr A applied for a credit card with Vanquis Bank in April 2013. In his application, Mr A said he was employed with an income of £30,000. Vanquis says it carried out a credit search and found Mr A owed around £115 in other unsecured debt and had a default on his credit file. Vanquis says it applied its lending criteria and approved a credit card with a limit of £500.

Vanquis went on to increase Mr A's credit limit to £1,000 in August 2013, £2,000 in January 2014, £3,000 in July 2014, £3,500 in February 2015 and £4,000 in December 2017. Vanquis says that on each occasion, before it increased Mr A's credit limit, it reviewed his account use and credit file. Vanquis says all credit limit increases were correctly applied – in line with its lending criteria.

Mr A entered into a Debt Management Plan in June 2019 and has advised Vanquis later took the step of closing his account and recording a default on his credit file.

Last year, Mr A complained that Vanquis had lent irresponsibly and asked it to refund the interest, fees and charges applied to his credit card. Vanquis didn't agree and didn't uphold Mr A's complaint.

An investigator at this service looked at Mr A's complaint. During the investigation, they asked Mr A to provide copies of his bank statements for the period in question but he was unable to do so. The investigator thought Vanquis had carried out reasonable and proportionate checks when completing the initial application. But the investigator thought Vanquis should've done more before increasing the credit limit from August 2013 onwards.

The investigator noted that whilst Mr A had provided payslips from the period Vanquis was increasing his credit limit, they weren't sufficient to show it had lent irresponsibly. The investigator also noted Mr A only had a reasonably low level of unsecured debt prior to the final credit limit increase in December 2017. Overall, the investigator wasn't persuaded there was enough evidence available to show Vanquis had lent irresponsibly and didn't uphold Mr A's complaint.

Mr A asked to appeal and pointed out other complaints he's made about different lenders have been upheld by our service. As Mr A asked to appeal, his complaint has been passed to me to make a decision.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Our approach to considering complaints about unaffordable and irresponsible lending is set out on our website. I've had this approach in mind when considering what's fair and reasonable in the circumstances of this complaint.

Before providing credit, lenders need to complete reasonable and proportionate affordability checks. There isn't a set list of checks a lender is required to carry out, but it needs to ensure the checks are proportionate when considering things like: the type and amount of credit being provided, the size of the regular repayments, the total cost of the credit and the consumer's circumstances.

I've looked at the information Vanquis had available when Mr A applied back in April 2013. I can see that Vanquis asked Mr A about his circumstances and income and obtained information from his credit file. Vanquis found Mr A owed a reasonably low balance of £115 elsewhere. And whilst Vanquis found a default on Mr A's credit file at that time, it was factored into its lending assessment. I'm satisfied Vanquis carried out reasonable and proportionate checks when looking at Mr A's application.

Like the investigator, from the first credit limit increase onwards, I think Vanquis should've done more to check Mr A was able to sustainably manage further repayments. I say this because the information Vanquis obtained in August 2013 showed a substantially increased default record. At this time, Vanquis found Mr A had eight defaults totalling £2,261 and a County Court Judgement (CCJ) for £325. Vanquis says the CCJ was around five and a half years old at this point and the newest default was around 18 months old. And Vanquis has explained it allows adverse credit of this nature and amount when looking at whether to increase a credit limit. I also note Vanquis found evidence of recently missed payments when it looked at Mr A's credit file.

Whilst I note Vanquis' comments, I think an increase in adverse credit at that level ought to have caused it to consider carrying out better checks and obtaining a more detailed picture of Mr A's circumstances at the time. As I've noted above, there's no set list of checks a lender has to complete. But Vanquis had options like looking at Mr A's bank statements or obtaining evidence of his income. The investigator asked Mr A for copies of his bank statements for the period immediately before Vanquis increased his credit limit in August 2013 but they aren't available. I note Mr A supplied copies of his payslips, but the earliest one available goes back to January 2014. That means we don't now know what Vanquis would've found if it had asked Mr A for further evidence when it started to increase Mr A's credit limit.

I've looked at how Mr A used the credit card to see if there were signs at the time that would've highlighted to Vanquis whether he was unable to afford further borrowing. Vanquis has made the point Mr A was making payments considerably in excess of his minimum payment each month. And I haven't seen anything that would've caused Vanquis to refuse to increase the credit limit. Overall, I haven't been persuaded the information available shows Vanquis lent irresponsibly when it increased Mr A's credit limit to £1,000.

In much the same way, I think Vanquis should've done more before increasing Mr A's credit limit on further occasions. I've considered the information available and applied it to all the credit limit increases Vanquis approved from January 2014 onwards. Vanquis has made the point that until the final credit limit increase in December 2017, Mr A's credit file showed he owed very modest balances to other lenders. In fact, the level of borrowing on Mr A's credit file dropped from £1,067 in August 2013 to £12 in February 2015. Mr A's credit appeared to have been well managed during the period Vanquis was increasing the credit limit.

There was a longer break between the February 2015 and December 2017 credit limit increases. And in that period, Mr A's unsecured debt balance had increased to around

£14,500. But I think Vanquis makes a reasonable point when it says there was no new adverse information on Mr A's credit file at this time and that he hadn't missed a payment to it or any of his other creditors for over four years at this point.

Mr A has supplied payslips for this period so I can see he was earning around £26,000 as opposed to the figure he declared in the original application of £30,000. Whilst less, I'm satisfied the figure is broadly in line with the information Vanquis had about Mr A's income. Again, there's no bank statements available to show Mr A's regular income and outgoings during this period, so it's not possible to now say what Vanquis would've found if it had requested them from Mr A.

Overall, I haven't found evidence that shows Vanquis lent irresponsibly in this case. In my view, taking the information we now have into account, whilst I think Vanquis should've carried out more comprehensive checks, the evidence available doesn't support the claim Mr A's credit card application and subsequent credit limit increases were irresponsibly approved. As a result, I'm not upholding Mr A's complaint.

My final decision

My decision is that I don't uphold Mr A's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 15 February 2024.

Marco Manente
Ombudsman